

CONNECTICUT VALLEY ELECTRIC COMPANY INC.

Petition for Discontinuance of Seasonal Base Rates

Order Approving Stipulation

O R D E R N O. 23,377

December 30, 1999

APPEARANCES: Ransmeier & Spellman by Dom S. D'Ambruoso, Esq., on behalf of Connecticut Valley Electric Company Inc. and Thomas C. Frantz for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On December 1, 1999, Connecticut Valley Electric Company (CVEC) filed with the New Hampshire Public Utilities Commission (Commission) a Petition for Discontinuance of Seasonal Base Rates. Included with the petition were testimony and exhibits supporting a change in the design of CVEC's base rates from seasonal to non-seasonal base rates. CVEC's base rates currently reflect a three winter month peak season and a nine month off-peak season. CVEC proposes to change the base rates to reflect uniform base rates year-round. CVEC states that the change will be revenue neutral on an annual basis as well as on an individual class basis compared to current base rates if the change is implemented for all bills rendered on and after January 1, 2000. CVEC states that the proposed change is an interim step appropriate for the introduction of retail access for electricity in its service territory.

By Order of Notice issued December 7, 1999, the

Commission scheduled a hearing for December 22, 1999 and set deadlines for intervention requests and objections thereto. On December 20, 1999, the City of Claremont (Claremont) filed a Petition to Intervene. Also on December 20, 1999, a Stipulation was filed with the Commission which was signed by CVEC, Claremont, the Office of the Consumer Advocate (OCA), and Commission Staff (Staff). The hearing was held on December 22, 1999 at which time the Commission approved the interventions of Claremont and the OCA, and testimony supporting the Stipulation was presented by Scott R. Anderson, pricing & financial consultant at Central Vermont Public Service Corporation, the parent of CVEC.

II. POSITIONS OF THE PARTIES AND STAFF

A. CVEC

CVEC's present base rates are currently collected in rates which are seasonally differentiated. Higher rates are in effect during the designated peak season, collected on a bills-rendered basis from December 1 through February 28, and lower rates are in effect during the designated off-season, collected on a bills-rendered basis from March 1 through November 30. This seasonal difference in rates has been in place since the early 1990s and was intended to generally reflect the higher cost of power during the winter peak season due to the so-called "NEPOOL 70/30 rule". With the advent of new New England Power Pool

(NEPOOL) market rules essentially eliminating the Pool-determined seasonality of power costs, the need for seasonal rates based on the 70/30 rule no longer exists. Therefore, CVEC filed its petition to discontinue seasonal rates in favor of stable base rates throughout the year.

CVEC believes that the elimination of the twice-yearly rate change will benefit consumers by reducing confusion and lessening the bill payment pressures which result from the now higher rates in the peak season. The discontinuance of seasonal rates is not intended to alter base rate revenues, which are expected to remain the same on a calendar year basis. CVEC is not requesting in this docket any shifting of base rate revenues from one rate class to another. Finally, CVEC stated that the discontinuance of seasonal rates (including fuel and purchased power base revenues collected in base rates) will not have a substantial impact on the collection of Fuel Adjustment Clause, Purchased Power Cost Adjustment, or Conservation and Load Management Percentage Adjustment revenues collected through respective adjustment clauses. The discontinuance of seasonal base rates will require a modification of Pilot Program rates, and CVEC also proposed tariff revisions to those rates to reflect the discontinuance of seasonal base rates.

B. Claremont, OCA, and Staff

Claremont, OCA, and Staff did not file testimony in

this proceeding but indicated that they support CVEC's proposed non-seasonal rate design.

III. STIPULATION

CVEC, Claremont, OCA, and Staff agree that CVEC's petition, as set forth in CVEC's December 1, 1999 filing, should be approved. The Stipulation provides for base rates which will result in a decrease in winter season revenues of \$1,262,321, or 21.9 percent, and a corresponding increase in non-winter season revenues of \$1,262,321, or 10.9 percent. Further, CVEC is allowed to change Pilot Program tariff rates in accordance with the tariff pages filed by CVEC at the same time as the rate changes reflecting uniform, year-round base rates occur. The purpose is to neither advantage nor disadvantage participating Pilot Program customers with respect to bundled tariff customers.

IV. COMMISSION ANALYSIS

After careful review of the entire record in this proceeding, we find that the Stipulation filed by CVEC, Claremont, OCA, and Staff is reasonable and is in the public good. Non-seasonal base rates will allow CVEC to more closely mirror NEPOOL market rules which no longer reflect the heavy weighting of capacity costs on the winter peak month during a capability period and should allow customers an easier transition to unbundled rates when retail choice becomes available to CVEC customers. The higher winter peak base rates are not indicative

of the underlying power costs of the region, which recently has experienced its all-time peak load during the summer months. Eliminating a seasonal rate that puts higher rates on a non-annual peak period will help customers make a smoother transition to future prices which reflect the higher costs of summer peak usage in the region. Further, we believe that the customers will accept CVEC's non-seasonal base rate design because of its ease of understanding.

Additionally, we waive the application of N.H. Admin. Rules, Puc 1203.05(a), which requires generally that rate changes be implemented on a service-rendered basis, and will allow CVEC to implement its non-seasonal base rates on a bills-rendered basis. This waiver, pursuant to Puc 201.05, produces a result consistent with the principles embodied in Puc 1203.05(b), which sets forth exceptions for allowing rate changes on a bills-rendered basis, and is in the public interest because it eliminates customer confusion and reduces administrative costs.

Finally, we consider it important that CVEC conduct a public information campaign as soon as possible to ensure that customers are informed of this change. We direct CVEC to work with our Consumer Affairs Department to ensure that appropriate and effective customer education concerning the change and the possible future course of competitive pricing is accomplished.

Based upon the foregoing, it is hereby

ORDERED, that the Stipulation which allows for non-seasonal base rates is APPROVED for all bills rendered on and after January 1, 2000; and it is

FURTHER ORDERED, that Connecticut Valley Electric Company file tariff pages in conformance with this order no later than January 7, 2000.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of December, 1999.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary